



NON-GENERAL FUNDS

Non-General fund revenues consist of two major categories: Special Revenue and Enterprise funds. The following sections provide descriptions of the various revenue sources in each category and explanations of 2004-05 revenue estimates. The table on the page 67 provides the 2003-04 and 2004-05 estimates and 2002-03 actual revenue amounts for revenues within these two categories.

SPECIAL REVENUE FUNDS

This category consists of several revenue sources that are earmarked for specific purposes. Included in this category are voter-approved sales taxes for Neighborhood Protection, Parks and Preserves and Transit 2000. Also included in this category are revenue from Court Awards, Development Services, Capital Construction, Sports Facilities, Arizona Highway User Revenue funds, Local Transportation Assistance funds, Public Transit, Community Reinvestment, Secondary Property Tax, grant funds and other revenues.

Neighborhood Protection Sales Tax

This 0.1 percent sales tax rate was approved by the voters in October 1993 and implemented in December 1993. As presented to the voters, the 0.1 percent increase is specifically earmarked for Police Neighborhood Protection programs (70 percent), Police Block Watch programs (5 percent) and Fire Neighborhood Protection programs (25 percent). The 2004-05 estimate of \$25,222,000 is \$1,782,000 or 7.6 percent greater than the 2003-04 estimate of \$23,440,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$48,000 is estimated in 2003-04 and \$63,000 is estimated in 2004-05 for interest revenue.

Parks and Preserves Sales Tax

The Parks and Preserves sales tax is a 0.1 percent sales tax rate increase approved by voters in September 1999 and implemented in November 1999. Revenues from the 0.1 percent tax are allocated to park improvements and acquisition of desert preserves. Sixty percent of the revenues are to be used for preservation, 30 percent for regional parks, and 10 percent for neighborhood and community parks. The 2004-05 estimate of \$25,160,000 is \$1,769,000 or 7.6 percent more than the 2003-04 estimate of \$23,391,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

Also included in this fund are grant revenues received to help acquire preserve land. The estimates anticipate grant revenues of \$2,615,000 in 2003-04 and \$900,000 in 2004-05.

Transit 2000 Funds

The Transit 2000 tax is a 0.4 percent sales tax approved by the voters in March 2000 and implemented in June 2000. The 0.4 percent tax is specifically earmarked for transit programs and improvements. The 2004-05 estimate of \$100,641,000 is \$7,078,000 or 7.6 percent greater than the 2003-04 estimate of \$93,563,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

Also included in this fund are fare box and other miscellaneous transit system revenues. Fare box revenues are the revenues collected by the transit service for bus ridership. The 2004-05 fare box revenue estimate of \$23,330,000 is 1.3 percent greater than the 2003-04 estimate, and reflects the continued expansion of services.

Court Awards Funds

The city of Phoenix receives funds as a result of participation in the arrest and/or prosecution of certain criminal cases. These funds, referred to as Court Awards funds, represent court-ordered forfeitures of seized assets. Their use is limited to the police and prosecutor functions. Revenue estimates are based on cases in progress. The estimate for 2004-05 is \$2,743,000.

Development Services

Revenues in this user fee category include building permits and plans review, subdivision and site plan fees, sign permit fees, and engineering permits and plan review fees. These fees are used to fully support the activities of the Development Services Department. The 2004-05 estimate is \$44,390,000, which is \$570,000 or 1.3 percent more than the 2003-04 estimate of \$43,820,000. With low mortgage rates and affordable new home prices, continued growth in residential building is expected but at a lower rate than in previous years. Also, the 2003-04 estimate includes the impact of a major accounting change in how contracted services for plan review and inspection services are reflected. This change resulted in a one-time increase to the 2003-04 revenues.

Capital Construction

This category includes revenue from a 2 percent increase in the sales tax on telecommunications implemented in February 1998. This tax is intended to reimburse Phoenix citizens for the use of their public rights-of-way by the telecommunications industry. The 2004-05 estimate is \$18.4 million, or a 2 percent increase over 2003-04 estimate. These funds are used primarily for right-of-way improvements in the Street Transportation Capital Improvement Program.



NON-GENERAL FUND REVENUES BY MAJOR SOURCE
(In Thousands of Dollars)

Revenue Source	2002-03 Actual	2003-04 Estimate	2004-05 Budget	Increase/(Decrease) from 2003-04 Est.	
				Amount	Percent
Special Revenue Funds					
Neighborhood Protection	\$ 21,837	\$ 23,440	\$ 25,222	\$ 1,782	7.6%
Parks and Preserves	22,755	26,006	26,060	54	0.2
Transit 2000	115,299	121,040	128,264	7,224	6.0
Court Awards	2,842	3,036	2,743	(293)	(9.7)
Development Services	38,412	43,820	44,390	570	1.3
Capital Construction	18,450	19,000	19,360	360	1.9
Sports Facilities	12,292	13,253	14,136	883	6.7
Highway User Revenue	102,521	110,704	115,368	4,664	4.2
Local Transportation Assistance	7,343	7,245	7,130	(115)	(1.6)
Regional Transit Revenues	10,305	9,873	9,785	(88)	(0.9)
Community Reinvestment	2,398	2,081	2,084	3	0.1
Secondary Property Tax	89,189	95,384	102,252	6,868	7.2
Other Restricted Fees	5,717	6,272	6,307	35	0.6
Grants					
Public Housing Grants	72,266	64,746	63,718	(1,028)	(1.6)
Human Services Grants	44,527	47,485	44,821	(2,664)	(5.6)
Community Development					
Block Grant	16,206	19,710	32,760	13,050	66.2
Criminal Justice Grants	10,065	12,852	16,077	3,225	25.1
Public Transit Grants	7,358	9,263	7,377	(1,886)	(20.4)
HOPE VI Grant	1,312	3,726	13,578	9,852	100+
Other Grants	10,846	9,319	12,439	3,120	33.5
Subtotal - Grants	\$ 162,580	\$ 167,101	\$ 190,770	\$23,669	14.2%
Total Special Revenue Funds	\$ 611,940	\$ 648,255	\$ 693,871	\$45,616	7.0%
Enterprise Funds					
Aviation	213,359	223,523	229,966	6,443	2.9
Water System	250,321	240,627	256,140	15,513	6.4
Wastewater System	132,734	137,951	146,834	8,883	6.4
Solid Waste	95,046	98,806	104,156	5,350	5.4
Civic Plaza	48,332	51,286	54,752	3,466	6.8
Golf Courses	6,675	6,261	6,702	441	7.0
Total Enterprise Funds	\$ 746,467	\$ 758,454	\$ 798,550	\$40,096	5.3%
TOTAL NON-GENERAL FUND REVENUES					
	\$1,358,407	\$1,406,709	\$1,492,421	\$85,712	6.1%



Also, other revenue including interest earnings is estimated for this fund. Other revenue of \$1,000,000 is estimated in both 2003-04 and 2004-05.

Sports Facilities

Sports Facilities revenues consist of a 1 percent portion of the 4.8 percent hotel/motel tax category, a 2 percent tax on short-term motor vehicle rentals, and interest revenue generated by the fund. The 2004-05 estimate is \$13,811,000, which is \$877,000 more than the 2003-04 estimate of \$12,934,000. The revenue estimates are consistent with the general fund sales tax estimates in the hotel/motel and short-term vehicle rental categories. The 2004-05 estimate includes \$5.9 million for the hotel/motel portion and \$7.9 million for the short-term car rental portion. Also, \$319,000 is estimated in 2003-04 and \$325,000 is estimated in 2004-05 for interest revenue.

Arizona Highway User Revenue

The State Transportation Financing Plan adopted by the Legislature in 1981 and amended in 1982 and 1985 includes a 13 cent per gallon gas tax plus other user fees and charges such as registrations, driver's licenses, motor carrier taxes, other miscellaneous fees and an increased share of the motor vehicle license taxes. Additional gasoline taxes were added in 1986 (3 cents per gallon), in 1988 (1 cent per gallon), and in 1990 (1 cent per gallon) for a total local gas tax rate of 18 cents per gallon.

A new distribution formula for Arizona Highway User Revenue (AHUR) was passed by the Legislature and signed by the governor in May 1996 (effective July 1, 1996). It was intended to be revenue neutral to cities. This distribution formula provides 27.5 percent

**ARIZONA HIGHWAY USER REVENUES
(In Thousands of Dollars)**

Fiscal Year	AHUR Distribution	Increase/(Decrease)	
		Amount	Percent
2000-01	\$102,598	\$ 2,250	2.2%
2001-02	100,406	(2,192)	(2.1)**
2002-03	104,596	4,190	4.2
2003-04 (Est.)	108,054	3,458	3.3
2004-05 (Est.)	112,718	4,664	4.3

*Includes only the state-shared distribution.
**2000 Census adjustment to population is reflected.

to incorporated cities and towns (distributed one-half on the relative population of the cities and towns and one-half on the county origin of sales/relative population of the counties) and 3 percent to cities over 300,000 population (Phoenix, Tucson and Mesa). For 2004-05 it is anticipated that Phoenix will receive \$92.4 million from the 27.5 percent share and \$20.3 million from the 3 percent share.

The total 2004-05 AHUR estimate of \$115,368,000 is \$4,664,000 or 4.2 percent more than the 2003-04 estimate of \$110,704,000. Included in the estimate is \$112,718,000 state-shared AHUR, which is \$4,664,000 or 4.3 percent more than the 2003-04 estimate. Also included in the 2004-05 estimate is \$2,650,000 in interest earnings and other income.

The state-shared increase is based on anticipated increases at the state level of 4.6 percent in gasoline tax collections, 3.6 percent in motor carrier tax collections (trucking), 5.3 percent in vehicle license tax collections and 3.6 percent in vehicle registrations.

The table above shows the state-shared Arizona Highway Users allocations to the city of Phoenix since 2000-01.

**Local Transportation Assistance
(LTA) Funds**

In July 1981, the Legislature passed a transportation bill that provided for a Local Transportation Assistance Fund. Beginning July 1, 1983, \$20.5 million (minimum) to \$23 million (maximum) annually from the sale of state lottery tickets is allocated to the Local Transportation Assistance (LTA) Fund. LTA funds are distributed to incorporated cities in proportion to annual population estimates developed by the Department of Economic Security.

For cities that exceed 300,000 in population, LTA funds are to be used for mass transit operating expenses. The law also provides for up to 10 percent of the city's LTA funds to be used for cultural, educational, historical, recreational or scientific projects and outpatient developmental disability programs. LTA funds used for these non-transit purposes must be matched on a 50/50 basis with non-public funds and the total LTA funds must reach the \$23 million maximum for this type of expenditure to be made.

The 2004-05 estimate for LTA revenue is \$7.1 million. This represents 31 percent of the total LTA funds distributed statewide. The allocation is primarily used for funding the transit system. Consistent with LTA fund provisions and past practices, \$106,000 is estimated for arts grants.

Regional Transit Revenues

This category includes revenue from the Regional Public Transportation Authority (RPTA), other state funding agencies, and the sale of bus service provided to other jurisdictions. The 2004-05 estimate of \$9,785,000 is \$88,000 or 0.9 percent under the 2003-04 estimate of \$9,873,000. The decrease is primarily due to reduced interest earnings. Also, 2003-04 includes reimbursement by RPTA of a prior year billing for regional services telecommunication charges.

Community Reinvestment

The 2004-05 estimate of \$2,084,000 represents estimated redevelopment revenues to be received through various economic redevelopment agreements. Redevelopment areas include Sky Harbor Center and the downtown area.

Secondary Property Tax

By law, the secondary property tax is earmarked for servicing general obligation bond principal and interest costs. There is no statutory limitation on the property taxes levied for debt service purposes.

As discussed in the General Fund Revenues section, the estimated primary property tax rate is 85 cents. To maintain our current \$1.82 total rate, the resulting secondary rate is 97 cents per \$100 of assessed value for 2004-05. The 2004-05 secondary property tax levy of \$101,752,000 is based on this projected rate and secondary assessed valuation of \$10.5 billion, but also reflects the

SECONDARY PROPERTY TAX

Fiscal Year	Secondary Assessed		Secondary Levy		Rate per \$100 Assessed Valuation
	Valuation (in Billions)	% Change	(in Thousands)	% Change	
2000-01	\$7,573	9.5%	\$72,703	11.1%	\$0.96
2001-02	8,232	8.7	82,642	13.7	1.00
2002-03	8,803	6.9	89,948	8.8	1.02
2003-04 (Est.)	9,792	11.2	94,984	5.6	0.97
2004-05 (Est.)	10,490	7.1	101,752	7.1	0.97

previously discussed \$3,000,000 shifted to the primary property tax levy. This levy is \$6,768,000 or 7.1 percent greater than the 2003-04 levy of \$94,984,000. The increase is primarily because of a 7.1 percent increase in net assessed property values for Phoenix, offset by the \$3,000,000 shift.

The total property tax rate of \$1.82 for 2004-05 has remained unchanged since 1995-96.

The table above shows secondary assessed valuation, secondary property tax levies and secondary property tax rates since 2000-01.

Other Restricted Fees

Included in this category are revenues associated with the Court Technology Enhancement fee and the Judicial Collection Enhancement fund; Heritage Square; the Tennis Center at Washington Park; and monopoly rentals from several city parks. Also included is revenue from restricted fees for recreation and other programs, and donations specified for various city programs. The 2004-05 estimate \$6,307,000 is \$35,000 more than the 2003-04 estimate of \$6,272,000.

Public Housing Grants

The 2004-05 Assisted Housing grants revenue included in the annual operating budget is \$63,718,000. This category includes the HOME program that is aimed at increasing the availability of affordable rental housing and expanding home ownership opportunities for first-time homebuyers. Other items funded with grants include housing rentals, housing subsidies, interest income, housing assistance and affordable housing.

Human Services Grants

The 2004-05 revenue estimate of \$44,821,000 is \$2,664,000 less than the 2003-04 estimate of \$47,485,000. This category includes funds from the Department of Health and Human Services, Workforce Investment Act, Aging Program Grants and Head Start funds. Some 2003-04 grants have not been estimated in 2004-05 due to differing fiscal years among granting agencies.



Community Development Block Grant

Each year, since 1974, the city has received Community Development Block Grant funds from the U.S. Department of Housing and Urban Development. These funds are used to support a variety of projects and programs that must meet the following national objectives: benefit low- and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet other urgent community development needs. The 2004-05 CDBG entitlement is \$20,324,000.

Criminal Justice Grants

The 2004-05 grant revenue for Criminal Justice programs is estimated to be \$16,077,000. This includes Police, Court and Law department grants. Grants include Universal Hiring grants totaling \$2 million, National Institute of Justice grants totaling \$1.8 million, Local Law Enforcement Block Grant funding totaling \$815,975 and renewals of ongoing state grants.

Public Transit Grants

The 2004-05 Federal Transit Administration Grant estimate is \$7,377,000 reflecting a decrease of \$1,886,000 from the 2003-04 estimate of \$9,263,000. This decrease is primarily because of one-time 2003-04 grants for capital projects.

HOPE Grants

In October 2001, the U.S. Department of Housing and Urban Development awarded \$34 million in HOPE funding to the city for the revitalization of the Matthew Henson public housing development. The revenue estimate assumes that \$13,578,000 of that grant will be earned and expended in 2004-05.

Other Grants

The 2004-05 budget also includes \$12,439,000 for federal, state and other grants that provide funding for some parks and recreation and library activities as well as programs such as energy conservation and weatherization in Neighborhood Services.

ENTERPRISE FUNDS

This category includes revenues from the city's six enterprise funds including Aviation, Water, Wastewater, Solid Waste, Civic Plaza and Golf. These enterprise funds fully recover their costs through user fees associated with the provision of their services. This category also includes the Civic Plaza that, in addition to the user fees associated with the operation of the Civic Plaza, is supported by earmarked sales taxes. Following are descriptions of each enterprise fund category and explanations of the revenue estimates.

Aviation

Aviation revenue estimates include landing fees, concession revenues and interest income at Sky Harbor International, Deer Valley and Goodyear airports. Total Aviation revenue for 2004-05 is anticipated to be \$229,966,000, which is \$6,443,000 or 2.9 percent greater than the 2003-04 estimate of \$223,523,000. The 2004-05 estimate anticipates conservative growth in airline fees,

concessions and parking revenues, as airport activity continues to return to a more normal level.

The first table on page 71 shows Aviation revenue by major category and annual percent change since 2000-01.

Water System

Water system revenues include water sales, development fees, various water service fees, resource acquisition fees, fees paid by other jurisdictions for the operation of the Val Vista Water Treatment Plant and other miscellaneous fees.

Total water system revenue for 2004-05 is projected to be \$256,140,000, which is \$15,513,000 or 6.4 percent more than the \$240,627,000 estimate for 2003-04. The 2003-04 estimate reflects the impact of the March 2004 rate increase which increased the average water bill by approximately 4 percent. The 2004-05 estimate reflects a full year's impact from the March 2004 rate increase, plus additional revenue anticipated from water sales and interest earnings.

The second table on page 71 shows water system revenues by major category since 2000-01.

